BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Approval of Agreements Resulting from Its 2014-2015 Energy Storage Solicitation and Related Cost Recovery. (U39E)	Application 15-12-004 (Filed December 1, 2015)

REPLY COMMENTS OF MARIN CLEAN ENERGY, SONOMA CLEAN POWER, THE CITY OF LANCASTER AND THE COUNTY OF LOS ANGELES ON THE PROPOSED DECISION

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TABLE OF CONTENTS

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Application of Southern California Edison Company (U338E) for Approval of Contracts Resulting From Its 2014 Energy Storage Request for Offers (ES RFO).	Application 15-12-003 (Filed December 1, 2015)
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REPLY COMMENTS OF MARIN CLEAN ENERGY, SONOMA CLEAN POWER, THE CITY OF LANCASTER AND THE COUNTY OF LOS ANGELES ON THE PROPOSED DECISION

Pursuant to Rule 14.3 of the California Public Utilities Commission ("Commission") Rules of Practice and Procedure, Marin Clean Energy ("MCE"), Sonoma Clean Power ("SCP"), the City of Lancaster ("Lancaster"), and the County of Los Angeles ("LA County") (collectively, the "CCA Parties") hereby submit these reply comments on the Proposed Decision ("PD") in this proceeding issued on July 20, 2016.

The CCA Parties are deeply concerned with Pacific Gas & Electric Company's ("PG&E") treatment of charging costs in its Energy Storage Agreements ("ESAs") and with Southern California Edison Company's ("SCE") treatment of charging costs generally. The positions that PG&E and SCE have taken on charging costs run counter to the guidance provided by the Commission and would inevitably result in double payments by unbundled ratepayers. The CCA Parties urge the Commission to affirm the position taken in the PD and

direct PG&E to exclude the charging costs from its Power Charge Indifference Adjustment ("PCIA") calculation.

I. PG&E SHOULD BE DIRECTED TO EXCLUDE THE CHARGING COSTS FROM THE PCIA

The Commission should direct PG&E to exclude the charging costs in its ESAs from the PCIA to prevent double payments by unbundled customers. As stated in the PD, the charging cost can potentially be reflected twice, once as a storage cost, and again as a cost of generation.[1] As PG&E's ESAs are currently structured, the charging costs would be reflected both as a storage cost and a generation cost. Therefore, PG&E should exclude the charging costs from the PCIA.

PG&E did not provide sufficient evidence in its comments on PD that the charging costs in its ESAs are not reflected as part of the cost of generation resource procurement. In its comments on PD, PG&E claimed that "the charging energy for a storage resource comes from the California Independent System Operator (CAISO) wholesale energy markets," and that ESA counterparty will not pay PG&E for the charging costs.[2] It is unclear that PG&E will always use spot market purchases to supply the energy for storage resources. Since these ESAs are part of PG&E's energy obligation, the facility charging needs can be fulfilled by a variety of PG&E's standard practices, including its long term procurement contracts. Unless PG&E can provide evidence that these facilities will solely rely on sport market energy purchases, charging costs should be excluded from PCIA to avoid double counting.

Additionally, PG&E is entitled to all the ancillary services associated with the facility,[3] and can generate revenue to offset the charging costs. Since an energy storage resource has the

[1] PD at page 23.
[2] Comments of PG&E at page 8.
[3] PG&E Exhibit 1 at page 3-1.

unique ability to discharge energy when the market price is high, and store energy when the market price is not as favorable, the facility itself should not result in incremental load. This ability will likely lead to instances where the charging costs can be offset by the revenue. Therefore, the Commission should either direct PG&E to exclude the charging costs from the PCIA, or provide a PCIA offset to ensure that unbundled customers will receive some of the benefits for which they have paid. This is consistent with existing statute, which prevents departing load customers from being subjected to cost increases resulting from resources that were not incurred on their behalf.[4]

II. SCE SHOULD ALSO BE INSTRUCTED TO EXCLUDE CHARGING COSTS FOR ALL ENERGY STORAGE PROJECTS WHOSE COSTS ARE RECOVERED THROUGH THE PCIA

SCE attempts to reinterpret the Commission's guidance on charging costs by stating that it only applies to "hybrid" projects. The Commission clearly states in the PD that the "Joint IOU Protocol should be modified to remove the costs associated with charging the storage resource from the Indifference Amount calculation and instead should just reflect the purchase costs … unless the charging power costs have not already been reflected in utility generation costs."[5] To include charging costs in the PCIA calculation would amount to double counting and burden unbundled customers.[6] This rule should be interpreted in a straightforward manner to exclude the recovery of charging costs from the PCIA for energy storage projects. There may be exceptions, and to the extent charging costs are not captured in generation costs that are already passed on to customers, the Commission can evaluate them on a case by case basis.

[4] Public Utilities Code Section 365.2.
[5] PD at page 23.
[6] PD at page 23.

SCE ignores the bright line rule established in the PD. While vague on details, SCE argues that the Commission is not actually modifying the Joint IOU Protocol, and that the exclusion of charging costs only applies to projects where storage is paired with generation.[7] The implication of SCE's argument is that charging costs should otherwise be included in the PCIA. The plain language of the PD, however, does not support SCE's interpretation.

The Commission's direction in the PD explicitly modifies the Joint IOU Protocol by excluding charging costs. The Joint IOU Protocol proposed to include the "forecasted cost of "fuel" (electricity purchased to charge resources) in the Total Portfolio Costs component of the Total Portfolio Indifference Calculation for each vintage year beginning in the year the resource commitment is made." [8] The Commission's direction the PD is directly contrary to the Joint IOU Protocol in that regard. The Commission should retain the modification language, otherwise SCE and the other IOUs may insist in future applications that no modification has been made.

Furthermore, the issue of double counting, as it relates to the PCIA, is not limited to hybrid projects, as SCE suggests. As the Commission recognizes in the PD, double counting occurs when an IOU recovers the charging costs of an energy storage resource and recovers those same costs through generation resources. That is possible whether a project is "hybrid" or not. Accordingly, SCE and the other IOUs should be directed to exclude charging costs from the PCIA calculation as the Commission has directed.

[7] "SCE agrees that this scenario can exist when an energy storage device is integrated with a solar facility (i.e. a "hybrid"), for example, where the solar facility's generation charges the storage device." Comments of SCE at page 3.
[8] Joint IOU Protocol at page 1.

III. CONCLUSION

The CCA Parties thank Commissioner Peterman and Assigned Administrative Law Judge Cooke for their thoughtful consideration of these Reply Comments on the PD.

Respectfully submitted,

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